

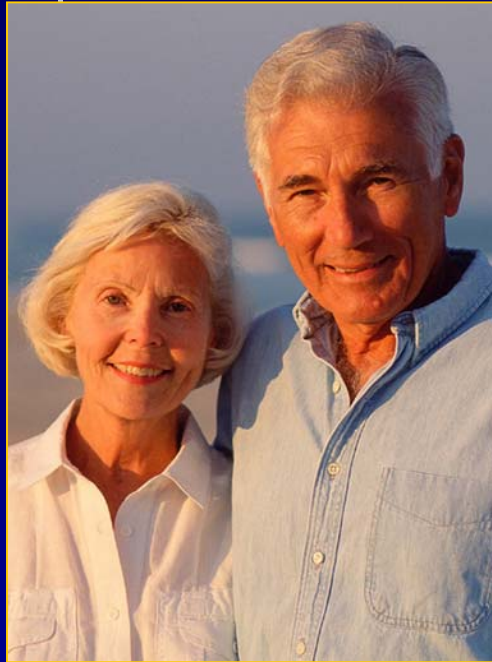
# *Planning Your Financial Future*

Pennsylvania Association of Nurse  
Anesthetists

Hershey, Pennsylvania

April 9, 2005

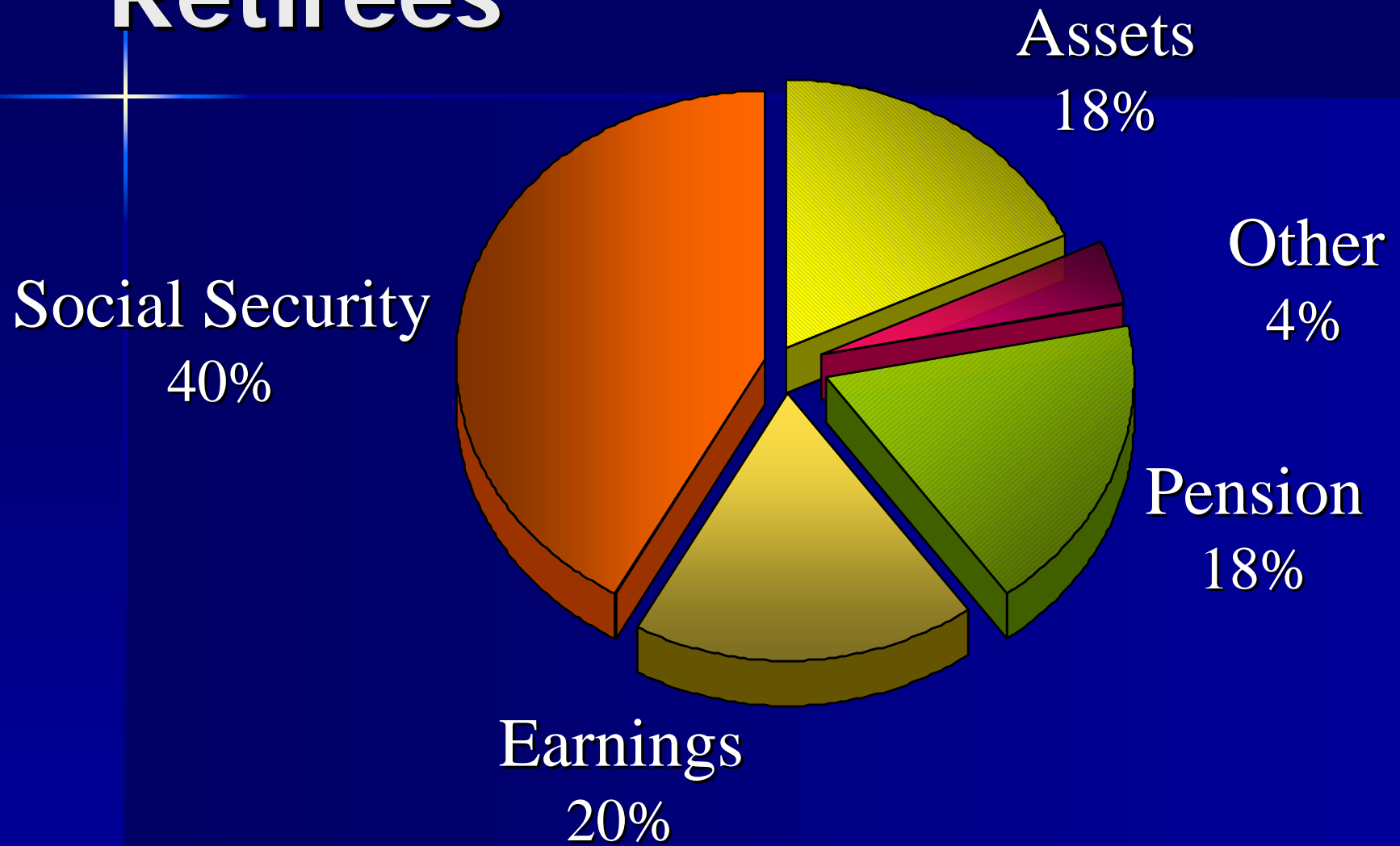
# Reasons for Investing



# True or False?

Mature Americans can expect to spend more years caring for their parents than for their children?

# Source of Income for Retirees



Source: Social Security Administration

# True or False?

Today, men and women can expect to live to the same life expectancy?

# Reasons for Financial Retirement Planning

- Financial Security
- Peace of Mind
- Have Ample Disposable Income

# Where Do You Start?



1. Set goals
2. Seek advice
3. Educate yourself
4. Monitor your progress

# Getting Started

- Get Organized
  - Centralize Documents and Investment Accounts
  - Set Goals
  - Create a Budget
- Create an Investment Plan That Includes:
  - Diversification
  - Asset Allocation
  - Your Risk Tolerance
  - Your goals



# Get Organized

Contents of your safety deposit box may include:

- Will
- Living trust
- Power of attorney
- Health care proxy
- Personal property
- Homeowner's insurance policy
- Stock and bond certificates

# Financial Goals

Goal	Target	Cost	Priority
Pay off college loans	Fall 2008	\$40,000	High
House Down payment	Spring 2006	40,000	Medium
Retirement	2043	60,000 annually	High
Vacation	Spring 2006	2,000	Low
Computer	Immediate	2,000	Low
New Tires	Immediate	600	Medium

# Budgeting Your Cash Flow

Income	Monthly	Annually
Wages Paid		
Bonuses		
Interest Income		
<b>INCOME SUBTOTAL:</b>		
<b>EXPENSES:</b>		
Rent/Mortgage		
Utilities: Gas/Water		
Auto Payments		
Entertainment		
Groceries		
Cell Phone		
Clothing		
Eating Out		
Healthcare		
Pets		
<b>EXPENSES SUBTOTAL:</b>		
<b>NET INCOME</b> (income less expenses)	\$ _____	\$ _____
<b>INVESTMENTS:</b>		
Retirement Accounts		
401K		
Investment Account		
<b>INVESTMENTS SUBTOTAL:</b>	\$ _____	\$ _____

# NET WORTH WORKSHEET

## ASSETS

### Investable Assets:

Cash/Checking/Savings

Money Market Accounts,

CD's T-Bills

Bonds, Taxable, Tax-Exempt

Stocks

Mutual Funds

Life Insurance (Face Amt.)

Annuities

Limited Partnerships

Real Estate

Collectibles/Personal Assets

### Retirement Assets:

IRA's

Qualified Retirement Plans

Pensions

Other

Total Assets

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

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## LIABILITIES

Credit Card Debt

\$ \_\_\_\_\_

Margin Debt

\$ \_\_\_\_\_

Personal Loans

\$ \_\_\_\_\_

Mortgages

\$ \_\_\_\_\_

Auto Loans

\$ \_\_\_\_\_

Other

\$ \_\_\_\_\_

Total Liabilities

\$ \_\_\_\_\_

Total Assets

\$ \_\_\_\_\_

-Total Liabilities

\$ \_\_\_\_\_

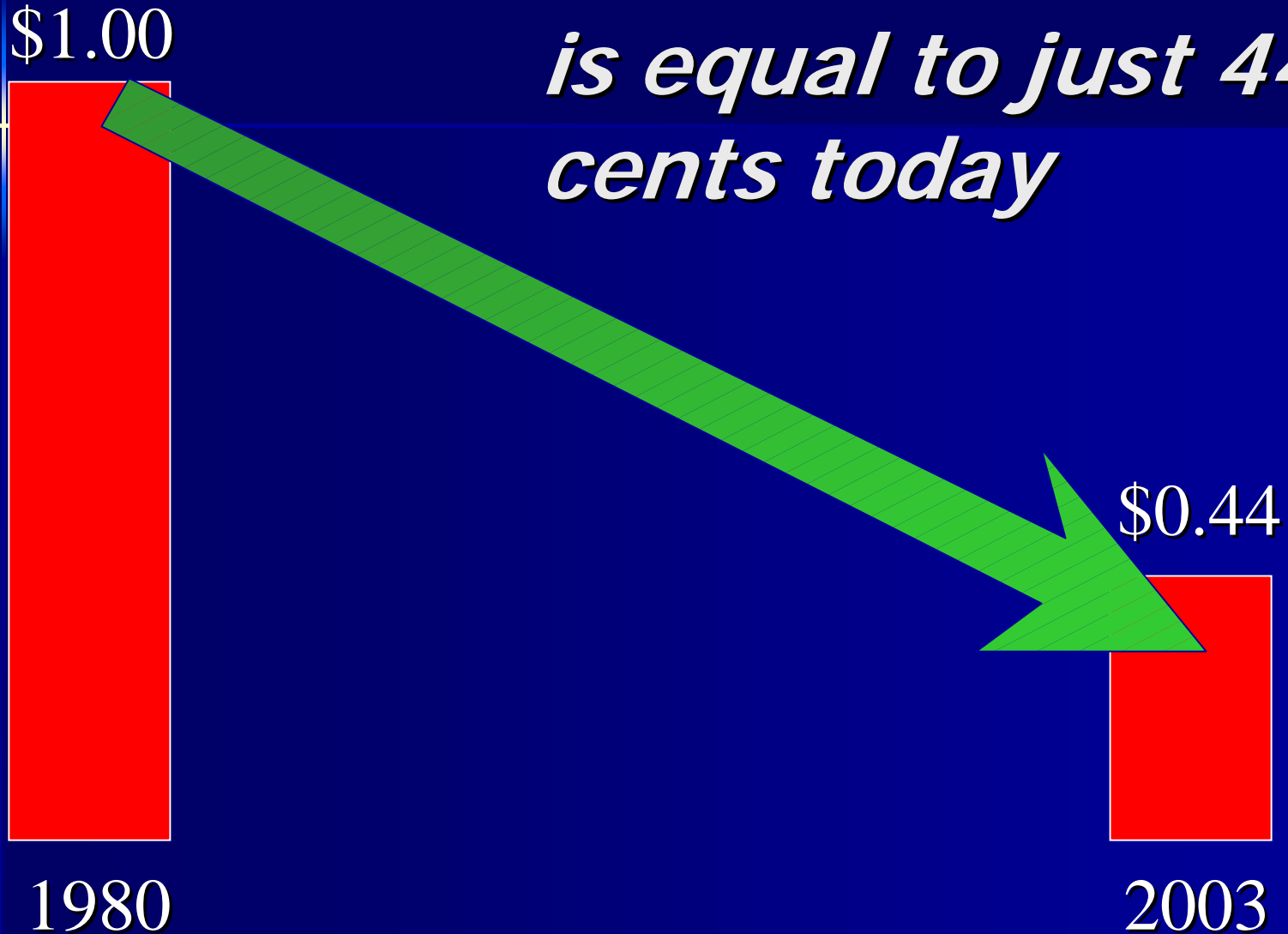
\*Net Worth

\$ \_\_\_\_\_

# True or False?

A dollar today is equal to a dollar one year from now?

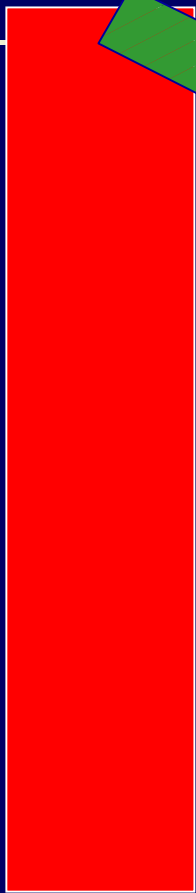
*One dollar in 1980  
is equal to just 44  
cents today*



*Source: Bureau of Labor Statistics*

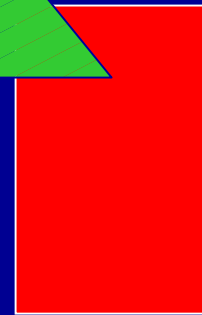
*One dollar in 1970  
is equal to just 19  
cents today*

\$1.00



1970

\$0.19



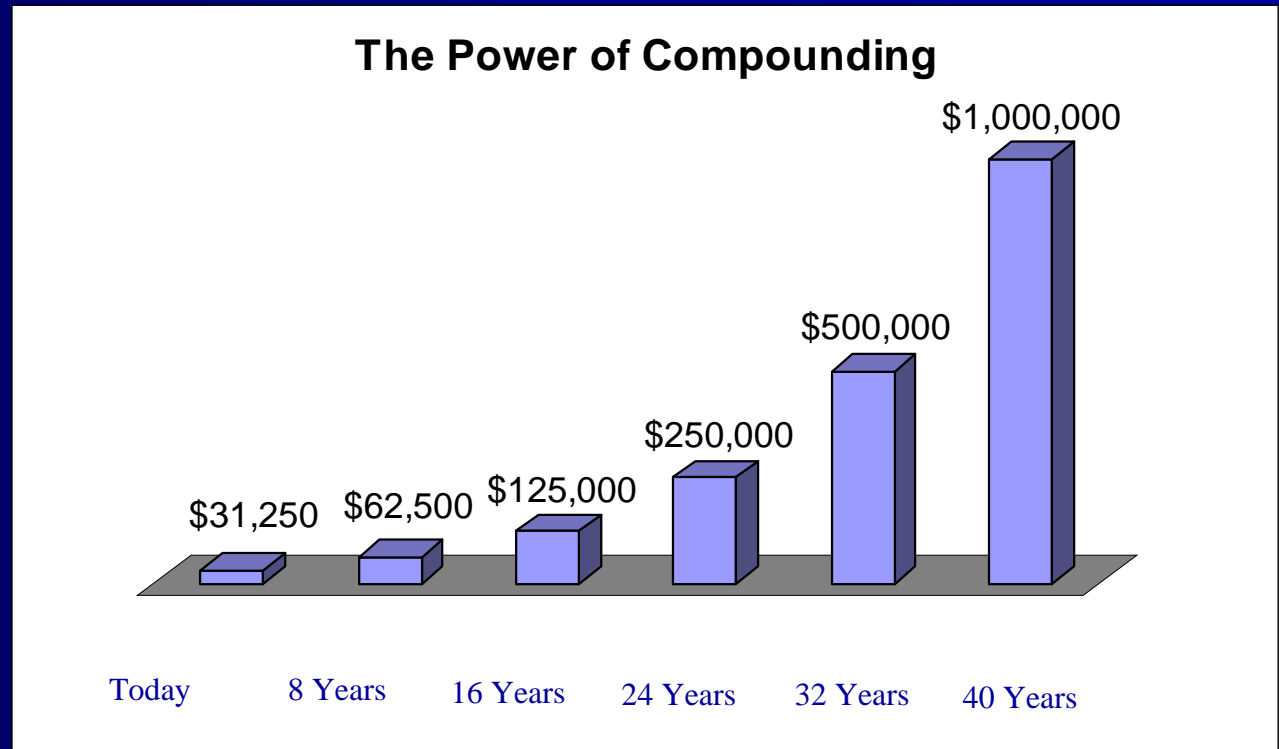
2003

*Source: Bureau of Labor Statistics*

# The Rule Of 72

## Lesson:

Your most precious investment asset is time.





Danielle

Mike

Invests \$3000 a year from

Invests \$3000 a year from

Age

Age

20

40



40

65

---

Total Savings \$60,000

---

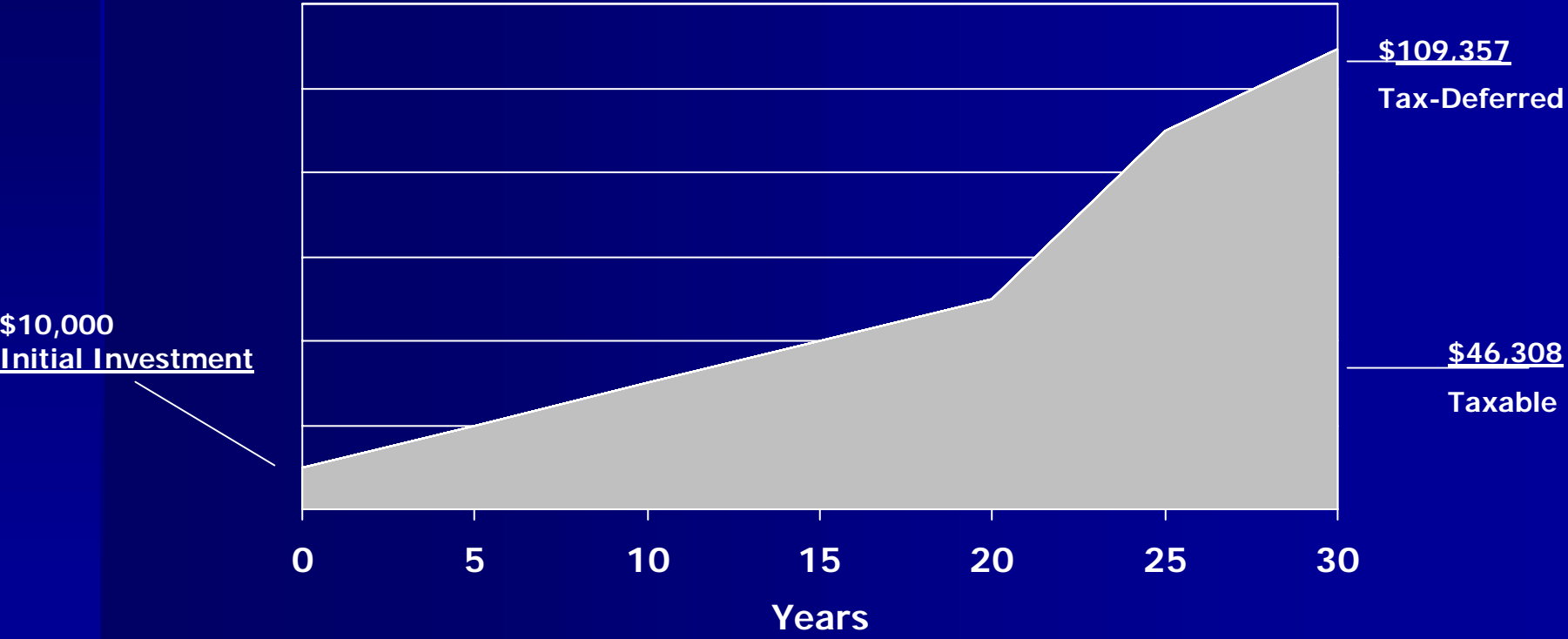
Total Savings \$75,000

Total \$ At 65 \$1,861,673

Total \$ At 65 \$295,041

# Tax Deferred Compounding

Tax Deferred investing can help you keep more of what you earn and may help you increase your savings



Well when is the best time to start saving for retirement?

**Now!**

Waiting, Costs You Money

Now I know the importance of  
investing, how much should I  
save?

# How To Save A Million Dollars By Age 65

AGE	ONE TIME	MONTHLY	YEARLY
20	\$13,700	\$100	\$1,400
25	22,100	160	2,300
30	35,600	260	3,700
35	57,300	450	6,100
40	92,300	750	10,200
45	148,600	1,300	17,500
50	239,400	2,400	31,500
55	385,500	4,900	62,800
60	621,000	13,000	163,800

# Price of Procrastination

Lets earn \$250,000 by retirement:

30 years	\$ 168 per month
20 years	\$ 424 per month
10 years	\$1,367 per month
5 years	\$3,402 per month

# Your Investment Options

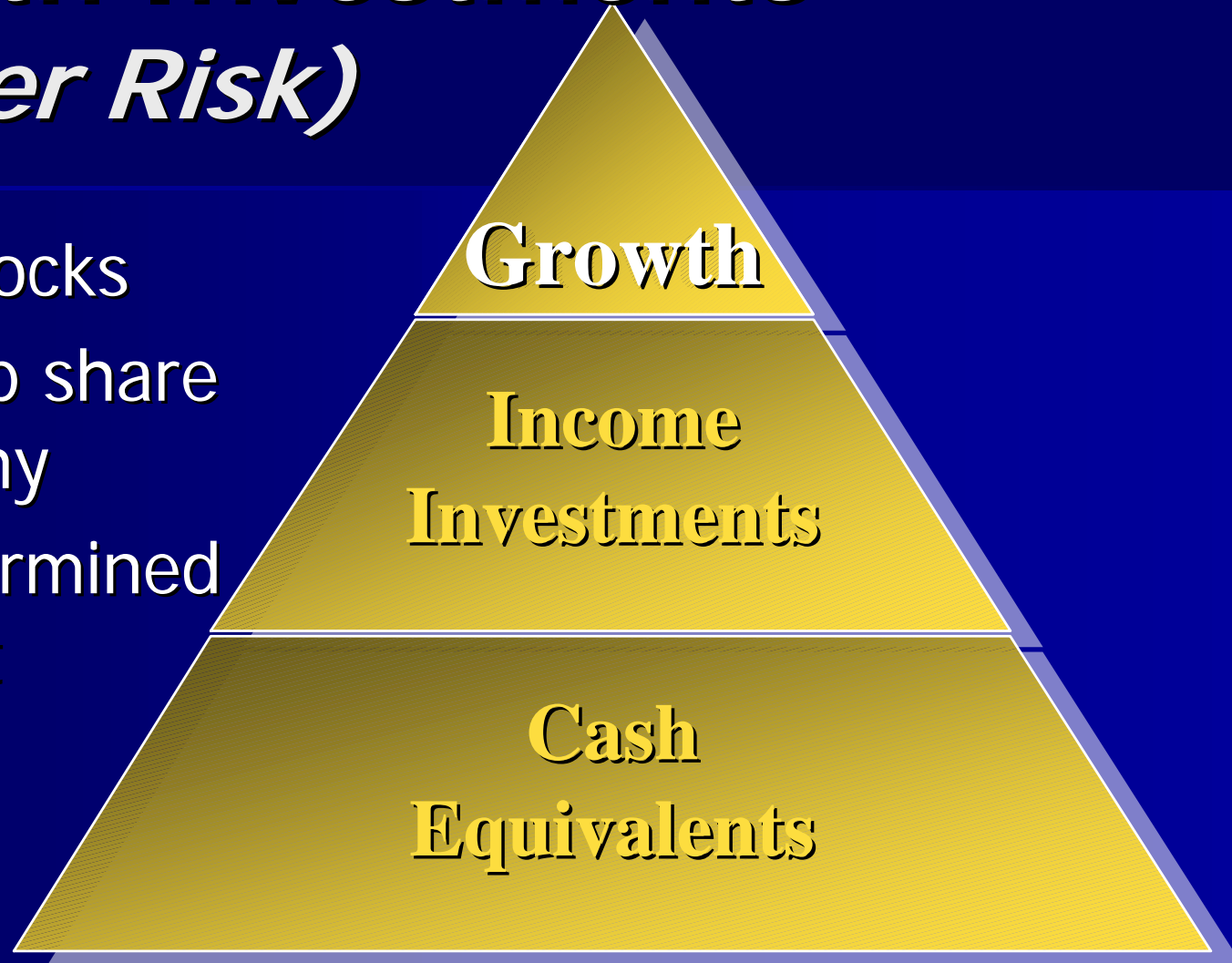


- Stocks
- Bonds
- Mutual funds

# Growth Investments *(Higher Risk)*

## Common Stocks

- Ownership share in company
- Price determined by market





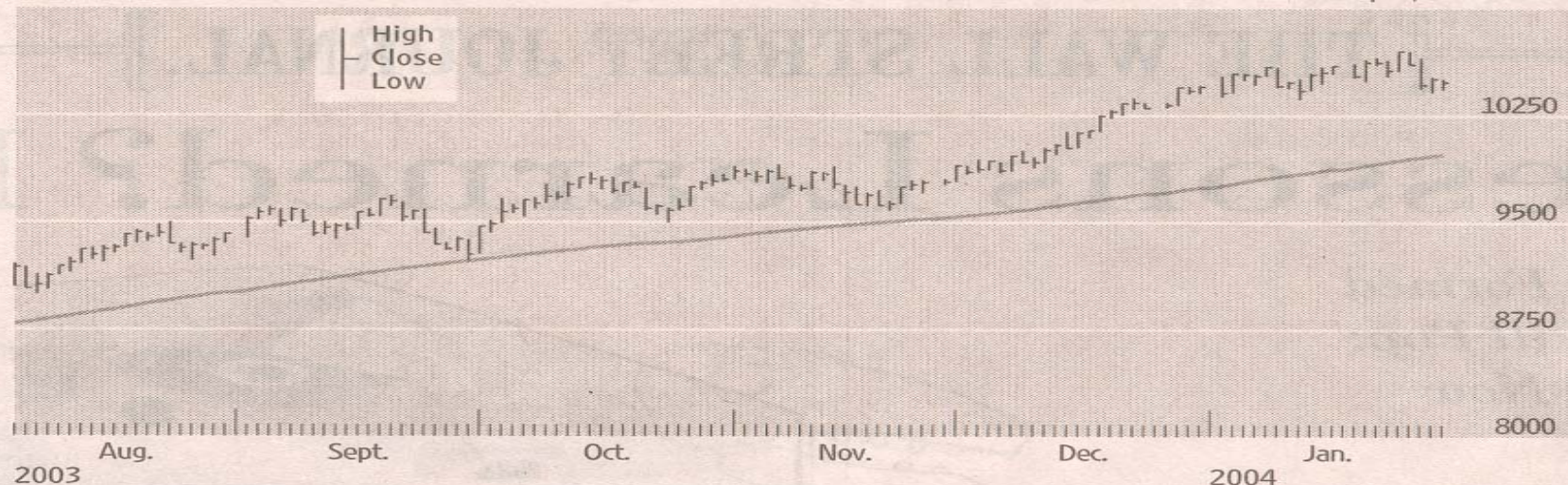
# Dow Jones Industrial Average

Daily High, Low and Close, and 90-Day Moving Average

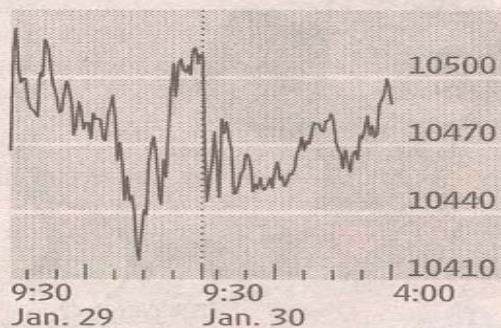
Close: 10488.07 ▼ -22.22

Divisor: 0.13500289

Market Cap: \$3.206 trillion



## DJIA, 5 Minute



## Hour by Hour

JAN 30	INDEX	VOLUME
Open	10510.22	205,087
10 a.m.	10461.70	25,919,152
11 a.m.	10465.92	63,724,622
12 noon	10459.18	88,181,408
1 p.m.	10467.69	107,370,910
2 p.m.	10480.81	123,021,965
3 p.m.	10472.81	149,892,744
Close	10488.07	204,205,999
Change	- 22.22	
% Change	- 0.21	

## Yearly Range

YEAR	HIGH	LOW
1998	9374.27	7539.07
1999	11497.12	9120.67
2000	11722.98	9796.03
2001	11337.92	8235.81
2002	10635.25	7286.27
2003	10453.92	7524.06
YTD	10702.51	10409.85

	THEORETICAL	ACTUAL
High	10551.03	10510.81
Low	10385.56	10438.96

## P/E Ratio† and Yield

	P/E RATIO	DIV YIELD
1/30/2004	20.28	2.02
Year ago	20.74	2.34

## Dow 30 Components Primary market net point change

AT&T	-0.13	Citigroup	unch	GenElec	-0.40	Intel*	-0.29	Microsoft**	-0.27
Alcoa	+0.88	CocaCola	-0.35	GenMotor	-1.03	IntPaper	+0.61	ProctGam	+0.08
AltriaGp	-0.36	Disney	-0.45	HewlettPk	-0.49	JohnsJohns	-0.47	SBC Comm	-0.20
AmExprss	+0.89	DuPont	-0.03	HomeDpt	-0.13	JPMorgChas	-0.16	3M	-0.43
Boeing	-0.55	EKodak	-0.50	Honeywell	+0.17	McDonalds	+0.24	UnitedTech	+0.27
Caterpillar	+0.87	ExxnMobil	-0.68	IBM	+1.22	Merck	-0.68	WalMart	-0.63

# Investments with Growth Potential Should Remain a Part of Your Portfolio, Even in Retirement

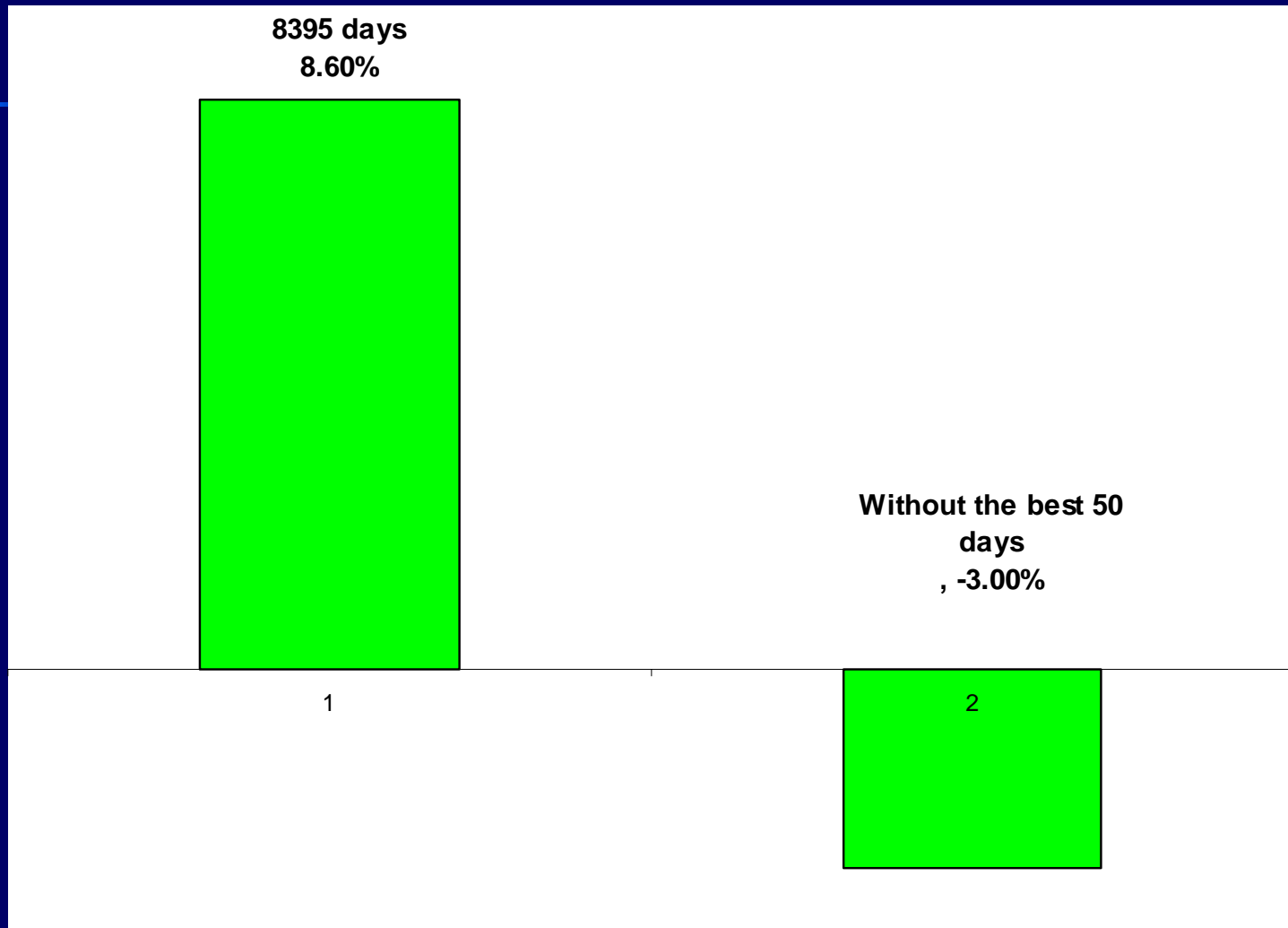
- If you retire early, you may be retired for as many years as you worked.
- 60% of those turning 65 will live to be at least 80 years old.
- Up to 85% of your social security benefits may be taxable, reducing your post retirement income.
- No matter how long, inflation will erode your purchasing power.

# Waiting Out the Storms has Been Worth It

Declines In the Dow Jones Industrial Average:1900 - December 2004

	# of Declines	Average Length	Frequency
Declines of 5% or more	346	39 days	3.4 per year
Declines of 10% or more	114	107 days	1.1 per year
Declines of 15% or more	55	216 days	1 every 2 years
Declines of 20% or more	30	372 days	1 every 3 years

# Average Annual Return, S&P 500 January 1981-December 2004

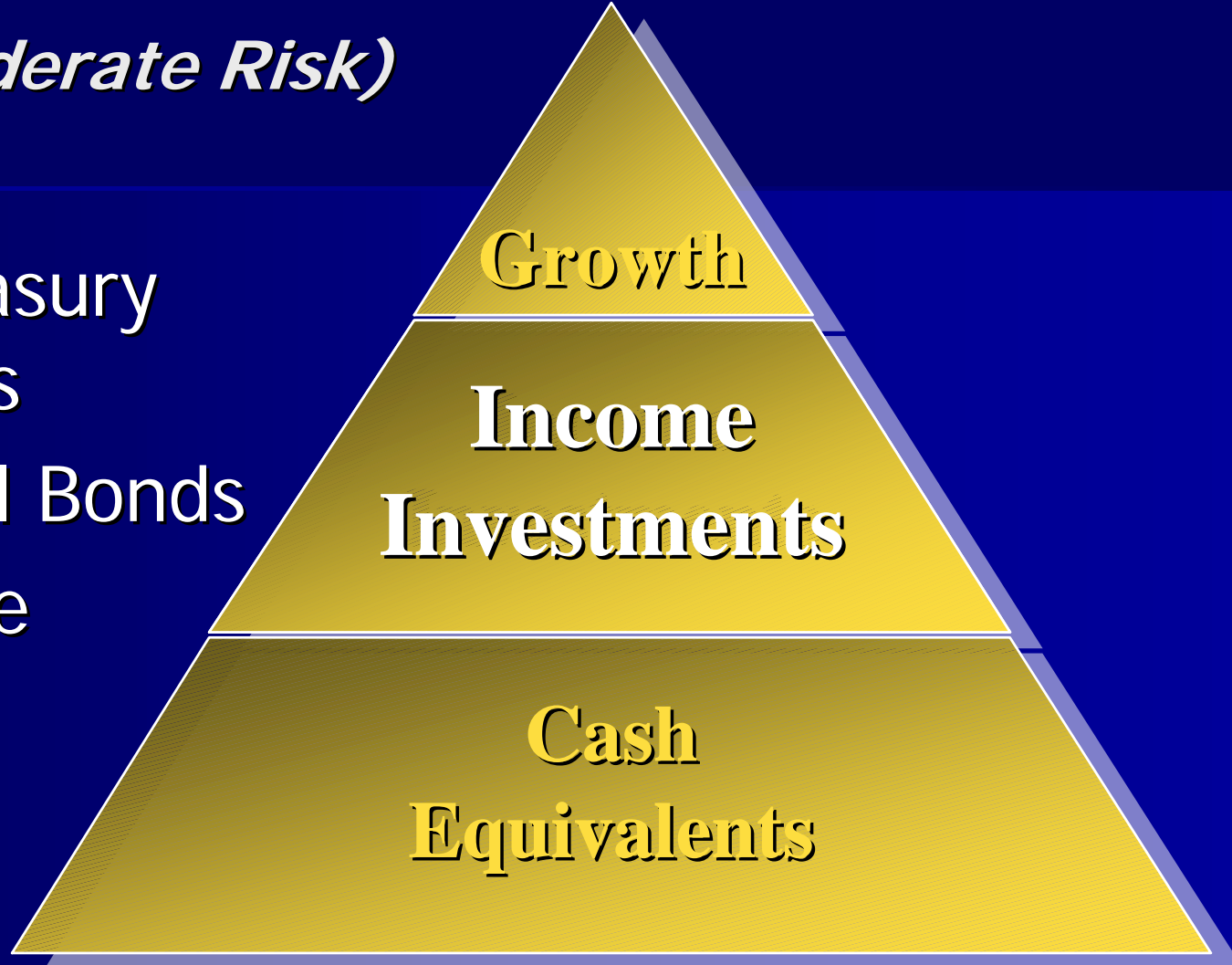




# Income Investments

*(Low to Moderate Risk)*

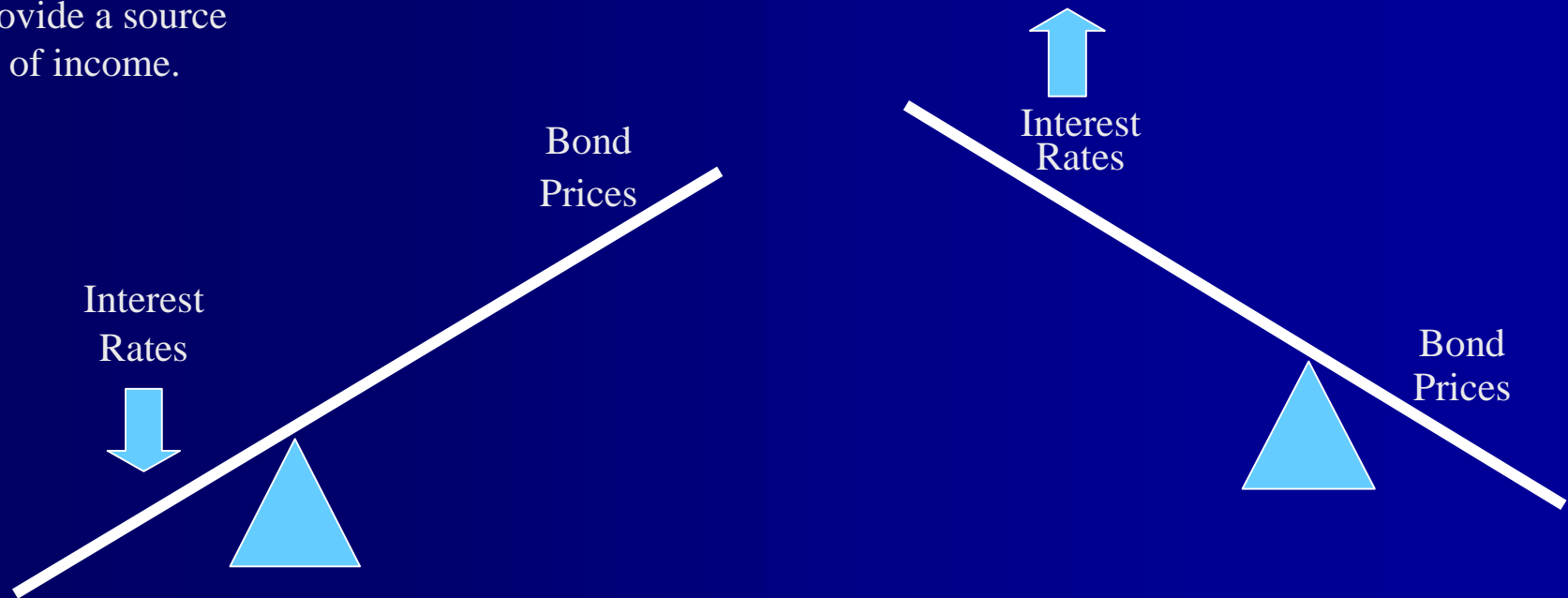
- U.S. Treasury Securities
- Municipal Bonds
- Corporate Bonds



## Lesson:

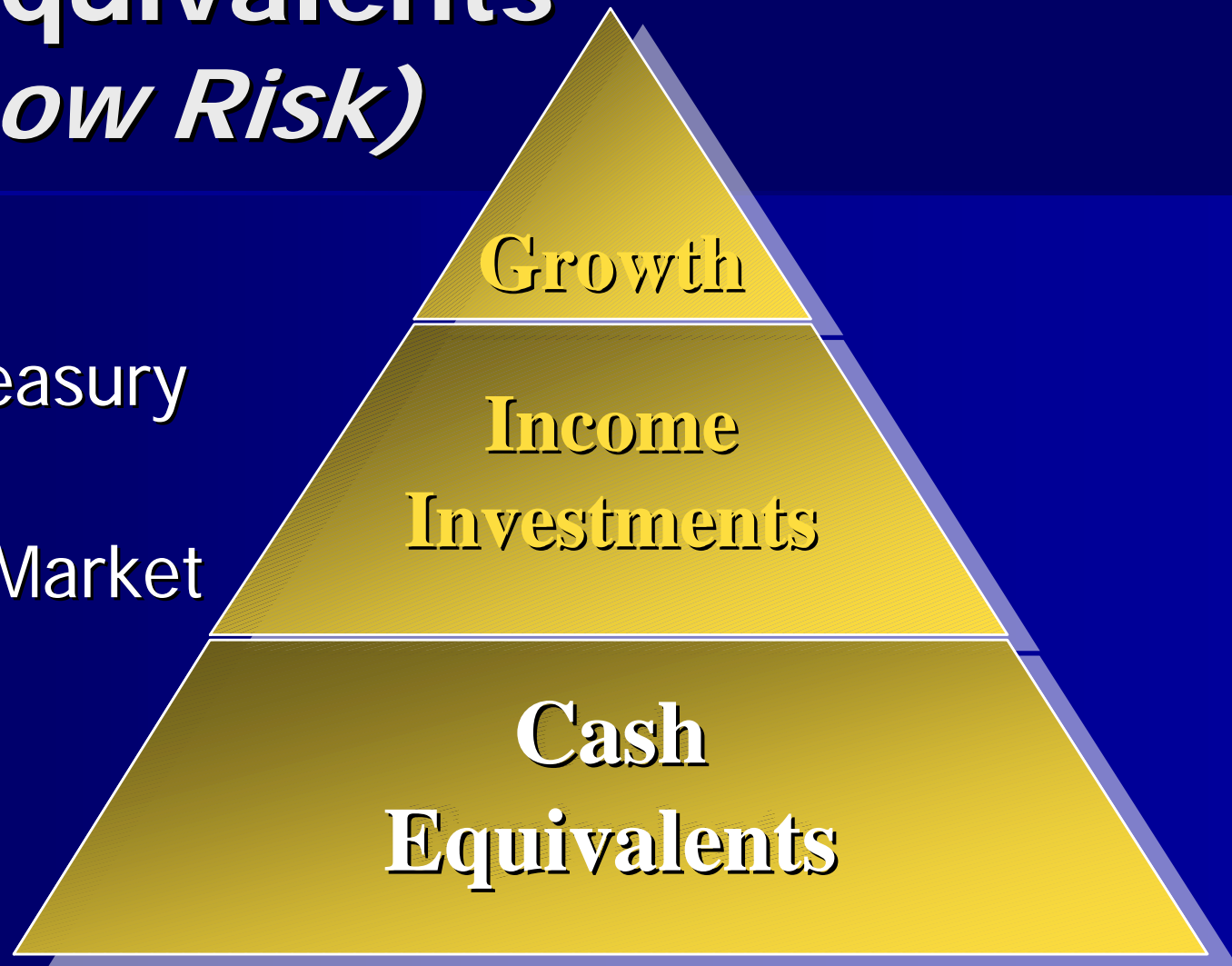
Bonds and interest rates move in opposite directions. Bonds diversify a portfolio and provide a source of income.

# What About Bonds?



# Cash Equivalents *(Very Low Risk)*

- CDs
- U.S. Treasury Bills
- Money Market Funds



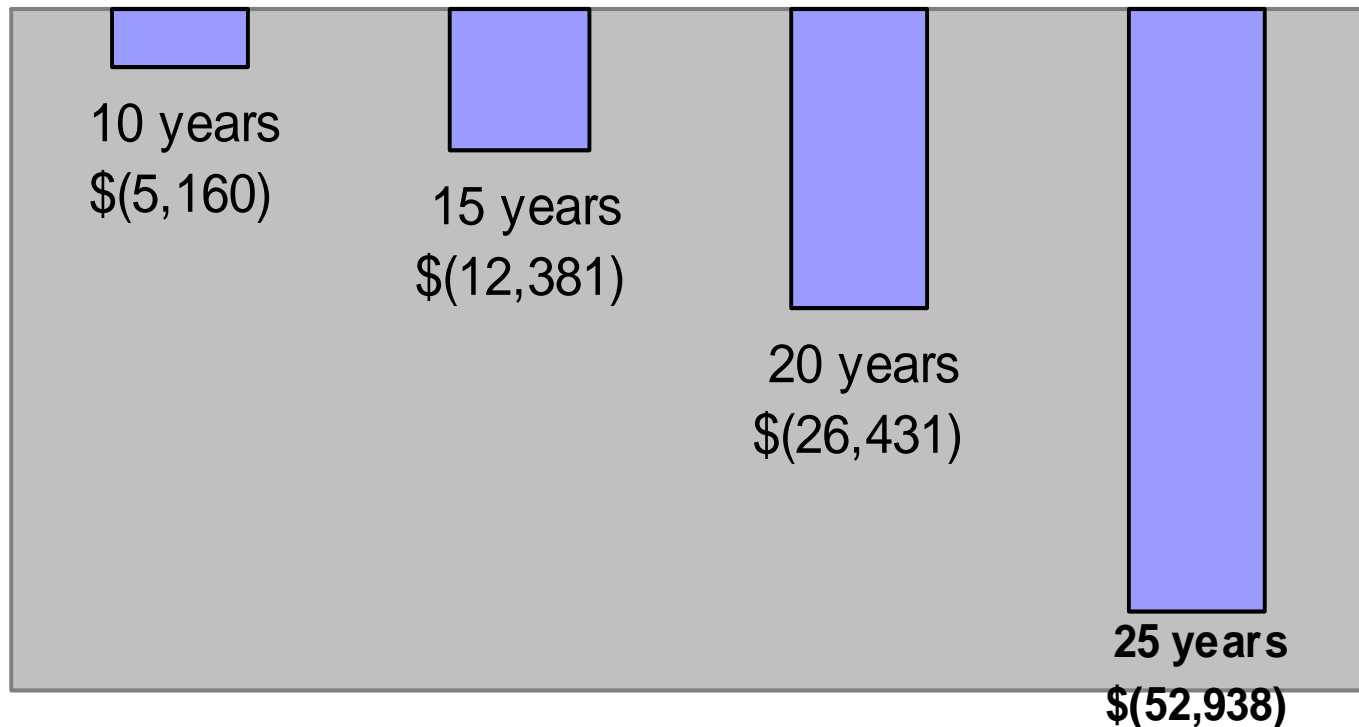
# Mutual Funds

- Professionally managed
- Can contain almost any type of investment
- Varying degrees of risk
- Pool the assets of many shareholders
- Diversification tool



# Emotions Cost Money

## The Cost Of Undisciplined Investing



# True Or False?

Because stocks have the highest return, an investor should put all their money in stocks?

# Three Steps To A Secure Retirement



1. Build wealth
2. Preserve wealth
3. Protect wealth

# Building Wealth

## Identify Income Sources

- Social security
- Company-sponsored plans
- IRA/Keogh/SEP
- Investment assets

# True False?

The Primary goal of the mature investor should be to preserve capital?

# Asset Allocation

Points to consider:

- Tolerance for risk
- Tax bracket
- Age
- Goals
- Time Horizon

# How Old are You

Beginning Investor (40 years to Retirement):

5% Cash

15% Bond

80% Growth

Family Investor (20 Years to Retirement):

10% Growth

20% Bonds

70% Growth

# How Old Are You

Mature Investor (10 years to retirement):

Cash 10%

Growth 50%

Bonds 40%

Retired Investor:

Cash 15%

Bonds 45%

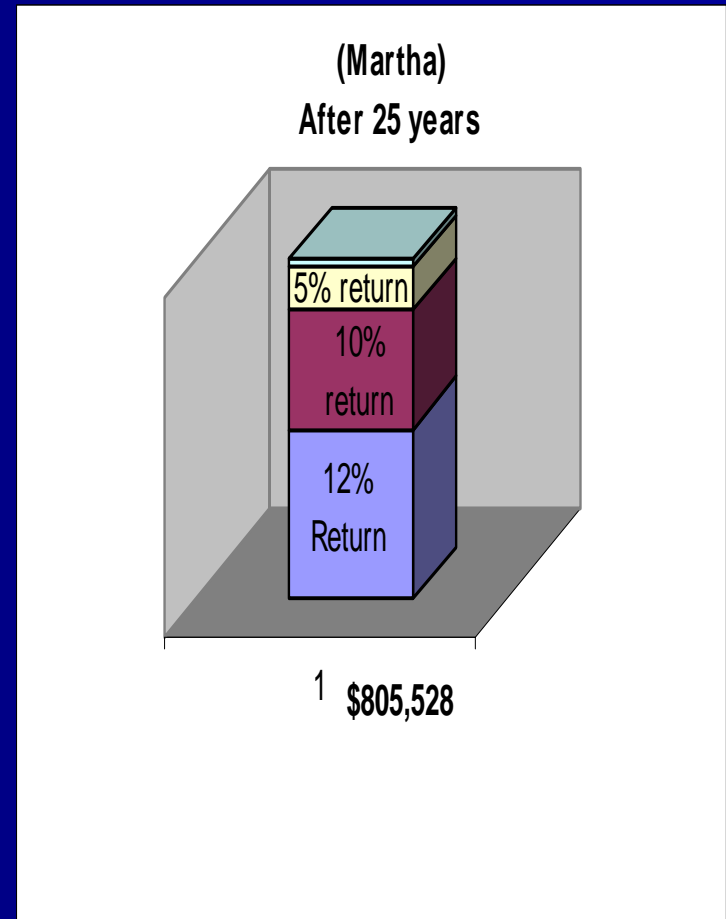
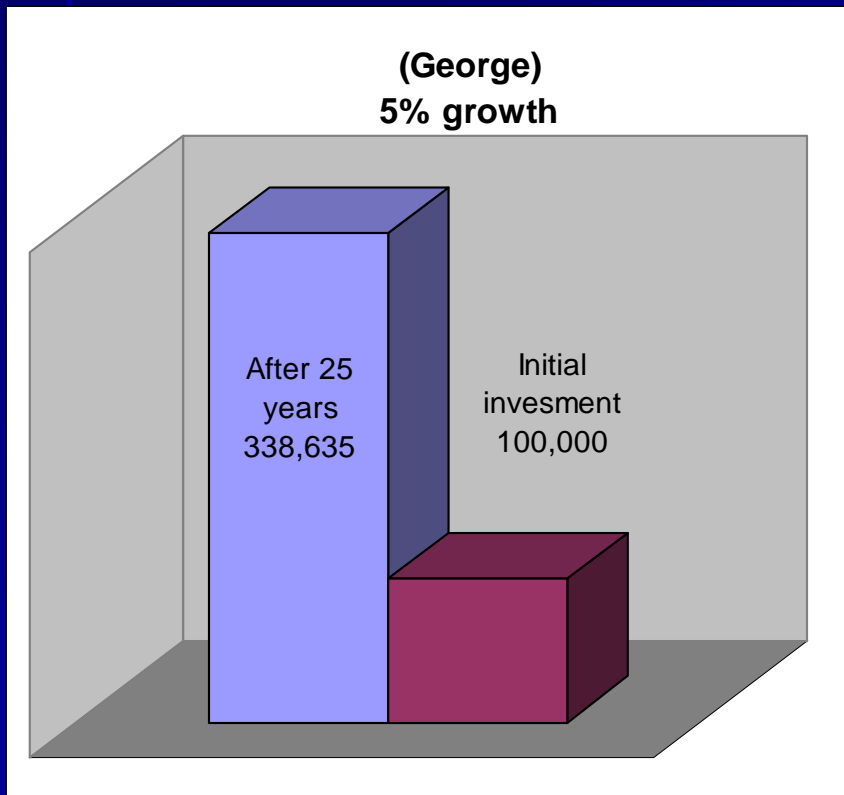
Growth 40%



# The Power of Diversification

Diversified Portfolio  
(initial invest of \$100,000)

## Un-diversified Portfolio

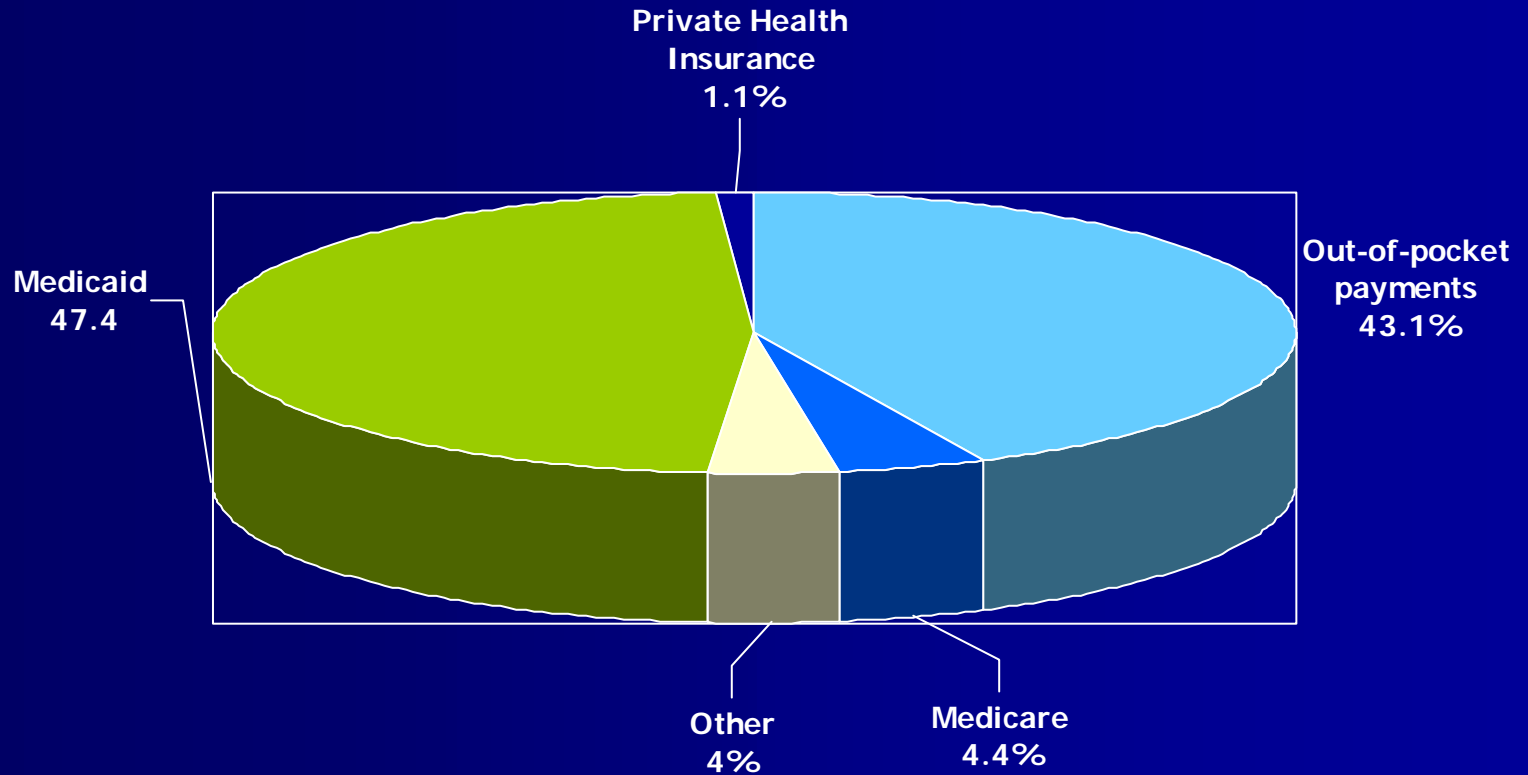


# Protecting Wealth

- Long term health care
- Life insurance
- Disability insurance
- Estate planning
  - Wills
  - Trusts

Will Medicare provide for  
my health care costs?

# Who Pays For Long Term Care?



# True or False?

The average retiree can expect to live another 10-15 years?

# Let These Questions Determine Your Financial Health

- How much will you save and invest?
- How long will you let your money grow?
- What will you be investing in?
- How disciplined will you be?

# Next Steps

- Set goals
- Create a budget, and a net worth statement
- Save 10% of your monthly income
- Take advantage of your company's retirement plan
- Establish a Roth, IRA, after-tax account
- Work with a financial advisor to stay on track

# **Thank You For Your Participation!**

**Please take a moment to fill out a  
feedback sheet.**

*Christine Armstrong*

Senior Vice President-Investments

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